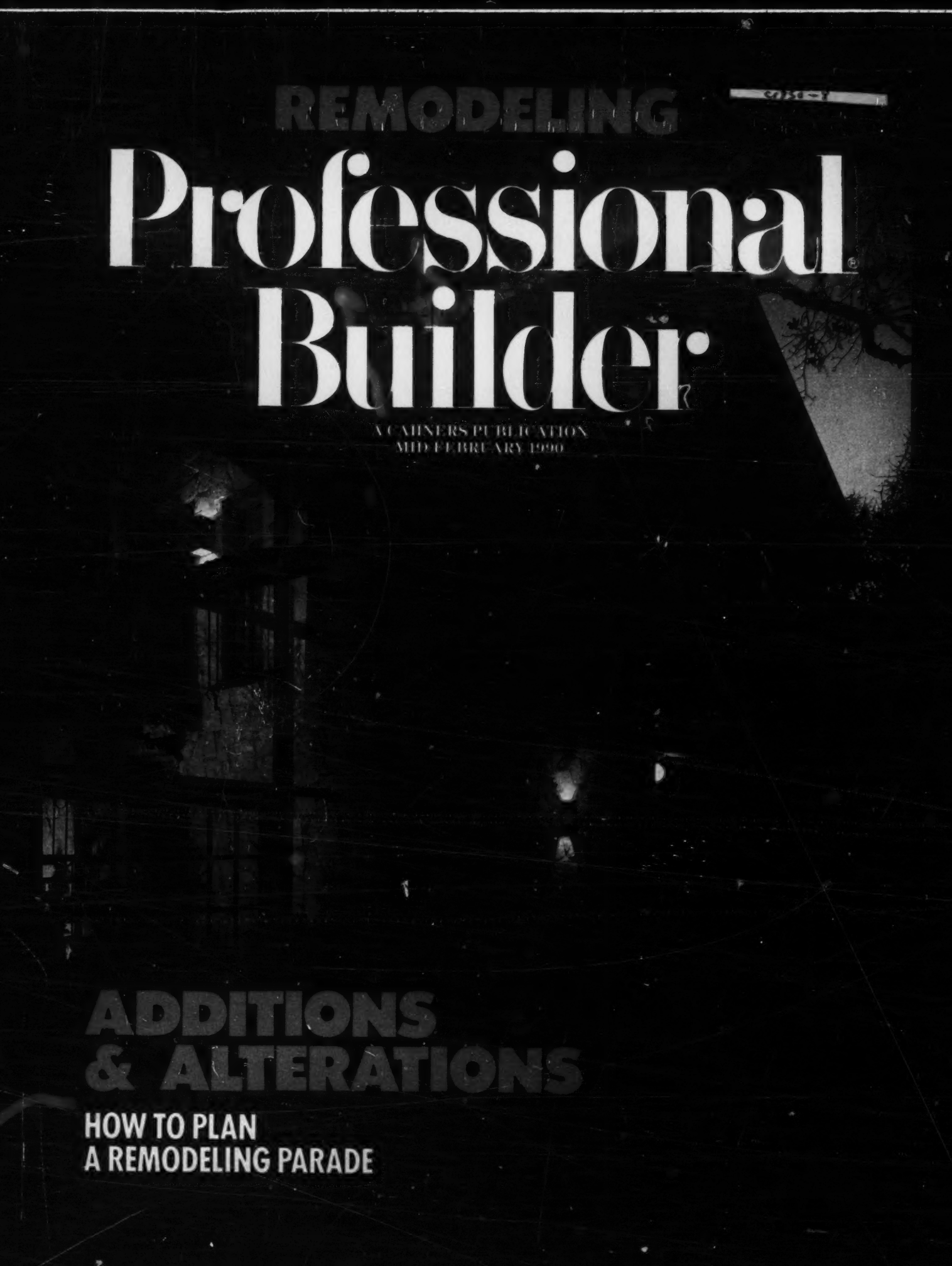
REMODELING

Professional Builder

A CAHNERS PUBLICATION
MID-FEBRUARY 1990



ADDITIONS & ALTERATIONS

HOW TO PLAN A REMODELING PARADE

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Remodelers in Grand Rapids, Mich., successfully staged a parade of remodeled homes. For an arm chair tour and a few helpful hints on how to put on your own parade, turn to page 64.

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Why do consumers want to add a room? What kind of room do they want to add? An exclusive *Professional Builder* survey relates consumer preferences for projected room additions and alterations.

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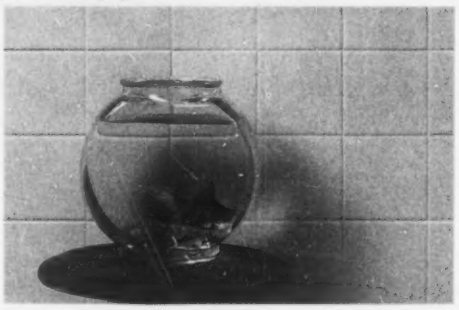
Whether it is a solution to a tricky problem or the addition of space, remodeling has always been innovative. These high-end jobs showcase remodelers' skills.



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Remodeling Surge Promises New Opportunities

See lower interest generating growth rate of 10% this year and again in 1991.

Despite a few years of only moderate growth, remodeling continues to offer the most consistent range of opportunities for the residential contractor.

Spending for remodeling work increased throughout the 1980s, even as new construction faltered during the latter part of the decade.

Following a disappointing first half of the year, a period of time when interest rates rose and household income began to slow, residential remodeling spending picked up during the final months of 1989.

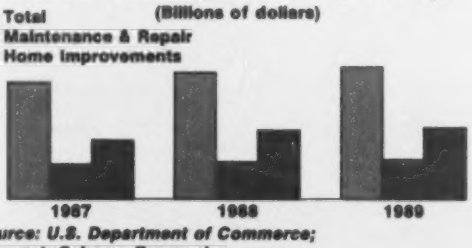
Many homeowners who postponed plans for major addition and alteration work will be spurred on by lower financing costs this year.

Consequently, we expect expenditures on residential additions and alterations to rise to $48.3 billion this year and to $53.9 billion in 1991. This represents average annual growth of about 10 percent, a significant improvement over the average 4.8 percent annual gains which prevailed during the 1987-1989 period.

There are a number of long-term factors which should ensure healthy gains in residential remodeling spending throughout the 1990s.

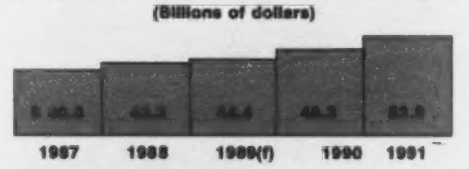
The nation's housing stock is aging and is in increasing need of maintenance and repair work.

Residential Remodeling Will Accelerate During 1990



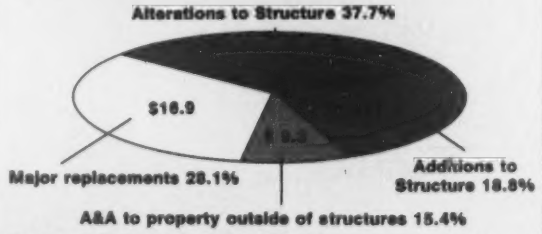
Source: U.S. Department of Commerce; forecast: Cahners Economics

$48.3 Billion in Additions, Alterations During 1990
(Billions of dollars)



Source: U.S. Department of Commerce; forecast: Cahners Economics

1988 Residential Improvement Spending By Category
(Share of all improvements, in % and billions of $)



Source: U.S. Department of Commerce

Top Markets In 1990 For Residential Remodeling Work
(Rankings Based On Projected $ Value of Bldg. Permits)

1. Los Angeles-Long Beach
2. San Francisco
3. Washington, D.C.
4. Philadelphia
5. Chicago
6. Baltimore
7. New York
8. Boston
9. Anaheim-Santa Ana, Calif.
10. Detroit

Forecast: Cahners Economics

The average age of homeowners continues to increase, creating more stable, less mobile households that are interested in improving their current homes.

Sales of existing homes as a proportion of total home sales should increase during the decade creating an environment conducive to the mix up and customizing impulses of the population. Also, despite a leveling off in the growth of home equity loans during 1989 on the order of 20 percent, following gains averaging 35 percent the prior two years, Federal tax law should ensure a ready pool of fairly inexpensive financing for home improvement projects in the years ahead.

In the near term, some parts of the nation will enjoy higher levels of residential remodeling work than others. During 1989, building permits authorizing residential remodeling work rose by about 15 percent in the West, while actually declining by a modest 4 percent in the Northeast. Among the fastest growing areas for remodeling work last year were Seattle, Honolulu and San Francisco. On the other hand, some major metropolitan areas, including Boston, New York and Chicago saw the value of residential remodeling work decline. □

By Daryl Delano, Cahners Economics, Newton, Mass.

Remodelers Find The Market Is Warm

A nationwide survey of remodelers indicates that business is steady, if not booming, in most parts of the country.

Remodelers continue to profit from the consumer drive for home improvement. According to a recent survey by *Professional Builder*, 57 percent feel the remodeling market is warm. And nearly 43 percent of remodelers in the Western states said they were dealing with a hot market.

Most of their customers (78.9 percent) are paying cash. The remainder are financing projects with home equity loans (63.1 percent), second mortgages (37.5 percent), and FHA loans (7.8 percent), or having the work financed by the remodeling company (7.2 percent).

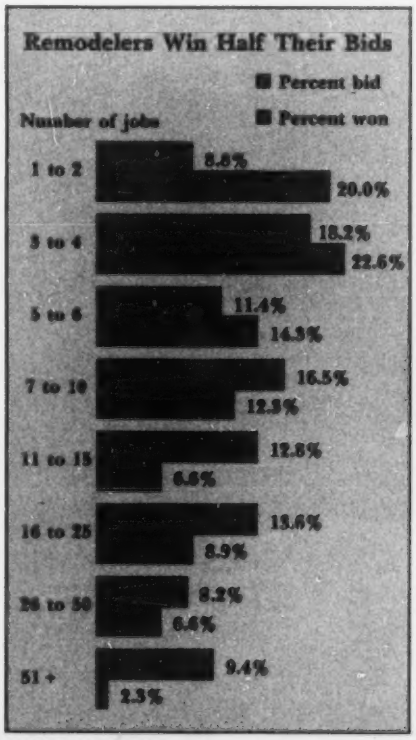
As of October 1989, when the survey was conducted, 32.1 percent were paying interest rates between 10 and 10.9 percent, and 45 percent paid between 2 and 2.9 points on their loans.

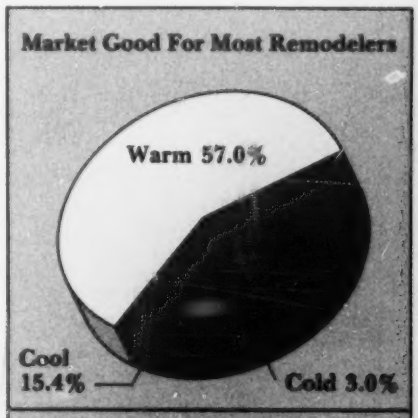
Remodelers bid on an average of 20 jobs during the six months prior to the survey, and won about half the bids. About 65 percent said they completed those jobs on budget; 18.3 percent were over budget, and 17 percent were under budget. In the Northeast 83.3 percent said work was completed on budget.

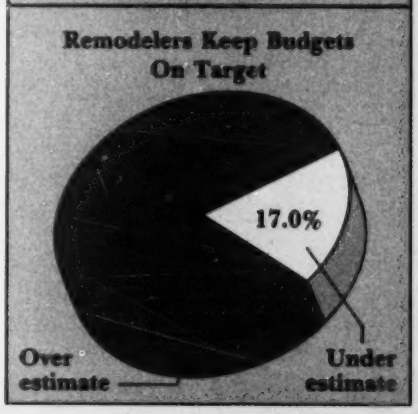
Roughly half of the remodelers surveyed use computers in their operations. Word processing and general accounting are the most frequent applications (41.4 percent), but 26.0 percent also use computers for job costing, 23.2 percent for estimating, and 11 percent for design.

The survey also indicated that 61.8 percent of remodelers plan to hire skilled or unskilled labor in the near future. Of this group, 89.3 percent plan to hire skilled labor and 69.2 percent plan to hire unskilled labor. Nearly 40 percent said they would hire two laborers from each category. □

By Susan Bady, Associate Editor







Most Customers Pay Cash

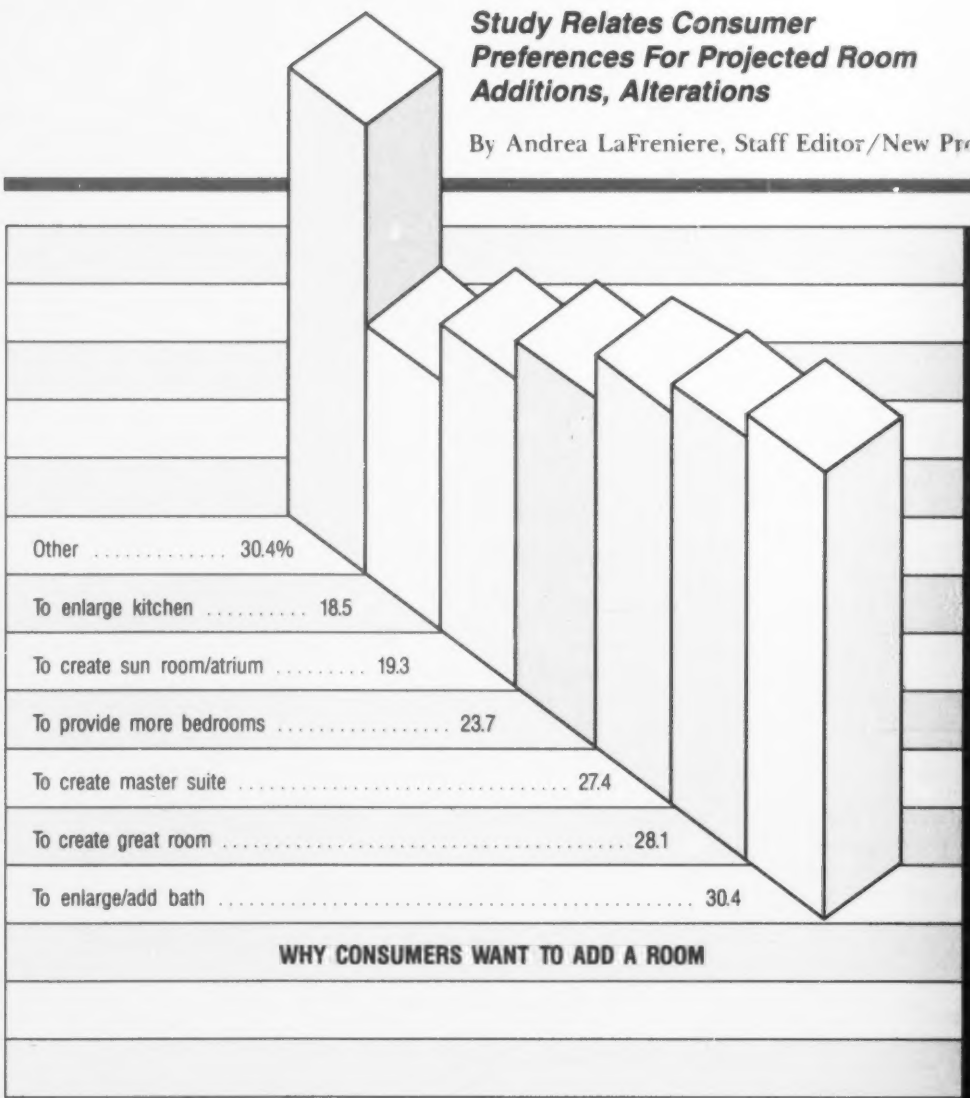
Financing	Total	Northeast	North Central	South	West
Cash	78.9%	72.6%	76.9%	76.9%	93.2%
Home equity loan	63.1	67.7	65.9	56.0	59.3
Second mortgage	37.5	37.1	35.2	40.7	32.2
FHA loan	7.8	6.5	8.8	6.6	3.4
By remodeler	7.2	1.6	12.1	7.7	—

Of all remodelers surveyed, nearly 80% reported their customers pay cash for remodeling jobs. In the West, this figure is even higher—93%.

HOW HOMEOWNERS PLAN TO REMODEL

Study Relates Consumer Preferences For Projected Room Additions, Alterations

By Andrea LaFreniere, Staff Editor/New Products


Other 30.4%
To enlarge kitchen 18.5
To create sun room/atrium 19.3
To provide more bedrooms 23.7
To create master suite 27.4
To create great room 28.1
To enlarge/add bath 30.4
WHY CONSUMERS WANT TO ADD A ROOM

Which rooms do homeowners intend to remodel? How many square feet do they plan to add? Is a room addition in the picture?

These are just a few of the questions that *Professional Builder* asked consumers in a landmark survey designed to pinpoint the plans of homeowners who intend to remodel their home in the next 12 months and who plan to hire a professional to do the work.

National Family Opinion Inc., a nationally recognized consumer research company, Toledo, Ohio, conducted the survey for *Professional Builder*.

Complete results report answers by region of the country, family size, age of the head of household, length of ownership, household income, age of house, size of house and market value.

Copies are available for $395. Send check or money order to *Professional Builder*, Post Office Box 5080, Des Plaines, Ill., 60017-5080.

The following report completes a two-part series of survey results initiated in *Professional Builder*'s Mid-September, 1989 Kitchen & Bath Remodeling issue. Most of the information about consumer plans for kitchen and bath remodeling projects is provided in that issue. Any additional information about wet room additions or alterations included here is offered for the benefit of readers.

Among the significant survey results included in this report is information about why consumers want to alter or add a room, what kinds of room additions they want to have done by a professional contractor and what kinds of products and design elements they want included in these room additions.

TYPES OF ROOM ADDITIONS CONSUMERS WANT DONE WITHIN THE NEXT 12 MONTHS

	Total	Expected Cost Mean	Expected Cost Median
Add a room	17.2%	$19,571	$15,000
Enclose porch/patio	12.5	4059	2500
Finish basement	8.1	4827	3000
Add garage	6.6	6374	5000
Add bathroom	3.9	4424	3000
Expand/finish attic	2.0	3275	2250
Add sun room	6.0	7938	5550
Redesign/restructure interior	5.0	21,696	8500
Complete exterior face lift	11.8	7756	4675

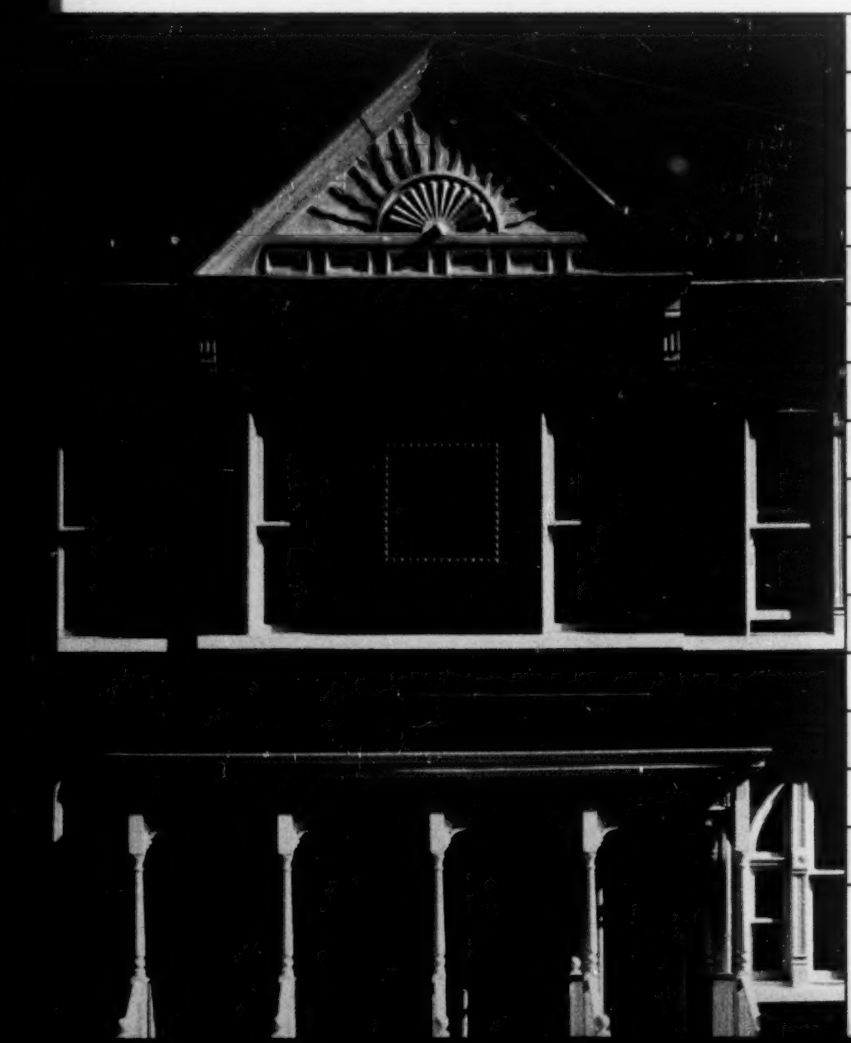
Homeowners are willing to pay the price for a quality job

For starters, of the respondents who intend to add a room, 30.4 percent said they would expand or create a bath. Of these, nearly 37 percent live in homes built 29 to 63 years ago.

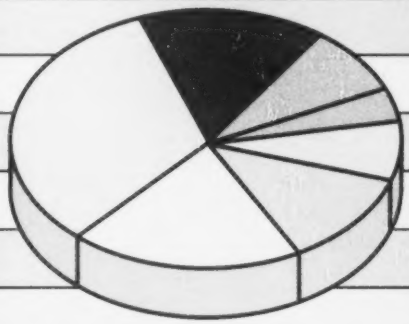
Of the 28.1 percent who said they would create a great room, 92 percent have owned their home for at least three years.

Nearly half the consumers who want to create a sun room own homes with more than 2200 square feet of space. Another 50 percent have lived in their homes for less than five years. The survey suggests that the percentage of homeowners who want to add a sun room tends to decrease with the age of the home.

According to the survey, most of the homeowners who want to provide more bedrooms are consumers aged 40 years or less (40.6 percent). Another 50 percent have



AGE OF HOMES BEING REMODELED



- ☐ **5.4%** built before 1900
- ☐ **8.0%** built from 1900 to 1925
- ■ **14.0%** built from 1926 to 1945
- ☐ **27.2%** built from 1946 to 1960
- ☐ **26.1%** built from 1961 to 1973
- ☐ **11.4%** built from 1974 to 1980
- ☐ **7.9%** built in 1981 or later

owned their home for less than five years. Typically these homes have less than 1500 square feet of space and were built no more than 16 years ago.

The survey indicates that the number of consumers who want to create a master suite (27.4 percent of those who plan to add a room) tends to increase with the market value of the home and with the homeowner's household income.

The survey also suggests that, by and large, respondents who plan to add more space by expanding the kitchen (18.5 percent) have owned their homes for more than five years. The percentage of homeowners who want to enlarge this particular living area tends to increase with household income.

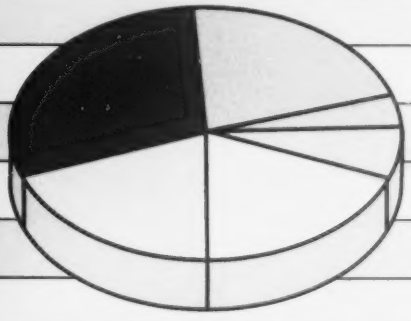
Although they plan to add or expand different kinds of space, respondents who want to make a room addition did concur on an important point: they are willing to pay the price for a quality job. Those surveyed expect to pay a mean cost of $19,571 and a median cost of $15,000 to add or expand a room or rooms.

The survey also indicates that the median amount of space homeowners expect to add is 305 square feet. The mean amount of space they expect to add is 426 square feet.

According to the survey, more than half the homes slated for a room addition or alteration were built between 1946 and 1973. Nearly 14 percent were built between 1926 and 1945, and roughly 11 percent were built between 1974 and 1980.

Among the design elements homeowners want included in their room addition or alteration is space for family entertainment. This is particularly evident among

SQUARE FEET CONSUMERS EXPECT TO ADD



- ☐ **5.4%** Under 100 square feet
- ☐ **18.6%** 100 to 150 square feet
- ■ **25.6%** 151 to 300 square feet
- ☐ **21.7%** 301 to 500 square feet
- ☐ **20.9%** 501 to 1000 square feet
- ☐ **7.8%** Over 1000 square feet

DESIGN ELEMENTS INCLUDED IN ROOM ADDITION

	Total %	Household Size 1	2	3
Space for family entertainment	**47.0%**	33.3	41.2	52.1
Sun room or greenhouse	**31.6**	41.7	44.1	23.9
Raised, but flat ceilings	**24.8**	16.7	23.5	26.8
Space for full-/part-time office	**24.8**	16.7	20.6	28.2
Cathedral, vaulted-type ceilings	**23.9**	41.7	20.6	22.5
Dramatic window treatment	**23.1**	33.3	14.7	25.4
Interior plant shelves/niches	**22.2**	58.3	26.5	14.1
Home entertainment center	**20.5**	25.0	20.6	19.7
Built-in furniture	**12.8**	16.7	5.9	15.5
Space for formal entertaining	**9.4**	16.7	2.9	11.3
Home fitness center	**6.8**	16.7	5.9	5.6
Covered entries	**6.8**	25.0	5.9	4.2
Private living space for relative	**6.8**	8.3	2.9	8.5
Interior lofts or balconies	**6.0**	8.3	5.9	5.6

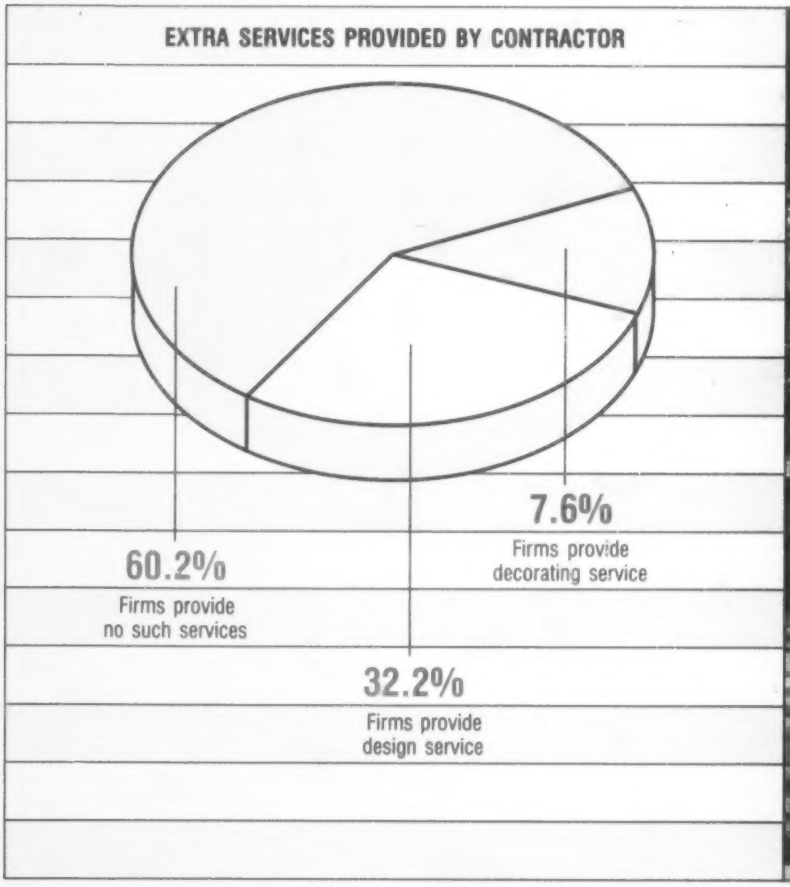
Consumers want particular products, design elements included in room additions

consumers who live in homes that are more than 44 years old.

Owners of such older homes also tend to want such design elements as raised, flat ceilings, space for full/part time office, interior plant shelves/niches, built-in furniture and home entertainment centers.

The survey shows that the percentage of consumers who want dramatic window treatments included in the remodeling job tends to increase with home market value, square footage of home and household income.

Consumers have definite ideas about the kinds of products they want to see included in their room addition as well. A whopping 98.5 percent will specify a specific type of flooring product. For 66.9 percent of these, carpeting is the definite choice. Ceramic tile and wood-type floors, respectively, received the next highest number of



responses.

A significant portion of consumers also intends to improve the fenestration of their homes. Of those who plan to add or expand a room, 92.6 percent will include windows in the project and 90.4 percent will include doors.

Although consumers have definite ideas about design elements and products they want to see in their room additions or alterations, not all intend to rely on their own design ideas alone. One-third of respondents indicated that they select builder/remodelers who also provide design services. Slightly less than 8 percent hire contractors who provide decorating service.

Prudent remodelers will be sure to meet the consumer demands outlined in this report throughout the course of each room addition or alteration. □

PRODUCTS INCLUDED IN ROOM ADDITION

	Home market value in thousands			
	$99 & under	$100 to $199	$200 to $299	$300 plus
FLOORS	**98.2%**	**100.0%**	**95.7%**	**100.0%**
Carpet	71.9	61.0	52.2	85.7
Ceramic tile	8.8	39.0	47.8	14.3
Wood	19.3	17.1	52.2	28.6
Vinyl	22.8	19.5	4.3	7.1
Marble	—	2.4	4.3	7.1
WINDOWS	**89.5**	**95.1**	**95.7**	**92.9**
Other windows	50.9	48.8	65.2	28.6
Skylight	19.3	34.1	30.4	57.1
Bay	17.5	14.6	34.8	42.9
Sun room	10.5	22.0	13.0	14.3
Greenhouse	7.0	22.0	13.0	7.1
Decorative window	7.0	9.8	17.4	21.4
WALLS	**89.5**	**90.2**	**95.7**	**85.7**
Paint	75.4	75.6	73.9	85.7
Wallpaper	31.6	39.0	39.1	21.4
Ceramic tile	8.8	9.8	17.4	14.3
Marble	—	2.4	4.3	—
DOORS	**89.5**	**92.7**	**95.7**	**78.6**
Exterior doors	54.4	56.1	78.3	50.0
Interior doors	61.4	43.9	69.6	42.9
Patio doors	19.3	34.1	26.1	28.6
Garage doors	8.8	—	13.0	14.3
ROOFING	**78.9**	**78.0**	**73.9**	**100.0**
Asphalt fiberglass shingles	71.9	68.3	65.2	57.1
Cedar shingles/shakes	3.5	9.8	13.0	35.7
Metal tile	3.5	—	—	—
Clay tile	—	—	—	7.1
SIDING	**84.2**	**68.3**	**82.6**	**78.6**
Wood	26.3	19.5	30.4	21.4
Aluminum	26.3	17.1	13.0	—
Brick	14.0	14.6	8.7	35.7
Vinyl	15.8	12.2	17.4	7.1
Wood shakes	3.5	9.8	21.7	21.4
Hardboard	1.8	2.4	—	—
LIGHTING	**70.2**	**75.6**	**73.9**	**64.3**
Recessed	43.9	46.3	47.8	35.7
Fluorescent-ceiling	29.8	31.7	21.7	14.3
Track	12.3	14.6	26.1	21.4
OTHER ITEMS	**82.5**	**95.1**	**91.3**	**71.4**
Insulation	61.4	61.0	78.3	50.0
Ceiling fan	50.9	46.3	43.5	42.9
Cabinets	31.6	34.1	52.2	28.6
Closet shelving	35.1	36.6	43.5	14.3
New heating system	19.3	31.7	17.4	21.4
Thermostats	8.8	24.4	30.4	35.7
Fireplace	17.5	14.6	21.7	28.6
Air cond. system	10.5	22.0	26.1	28.6
Decorative molding	8.8	24.4	17.4	35.7
Door chimes	3.5	2.4	4.3	7.1
Central vacuum	—	2.4	—	7.1